

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Richmond Division**

In re:

**HEALTH DIAGNOSTIC LABORATORY,
INC., *et al.*,**

Debtors. ¹

Chapter 11

Case No.: 15-32919-KRH

Jointly Administered

**LIQUIDATING TRUSTEE'S QUARTERLY REPORT
ENDING JUNE 30, 2016**

Richard Arrowsmith, in his capacity as Liquidating Trustee of the HDL Liquidating Trust (the “**Liquidating Trustee**”), appointed pursuant to the confirmed Modified Second Amended Plan of Liquidation (the “**Plan**”)² of the Debtors (the “**Debtors**,” or “**HDL**”) in these jointly administered bankruptcy cases (the “**Chapter 11 Cases**”), by his undersigned counsel, hereby files the Liquidating Trustee’s Quarterly Report for period ending June 30, 2016 in accordance with the Plan, Provision 6.5(c)(21). The Liquidating Trustee respectfully states as follows:

BACKGROUND

1. Provision 6.5(c)(21) of the Plan requires the Liquidating Trustee to provide the following:

Within thirty (30) days after the end of the first full month following the Effective Date, and within twenty (20) days after the end of each quarter thereafter, (a) file with the Court and provide to the Liquidating Trust Oversight Committee a report setting forth (i) the receipt and disposition by the Liquidating Trustee of property of the Estates during such period, including the amounts, recipients and dates of any Distribution and any payments to the Liquidating Trustee and professionals, employees, and consultants of the Liquidating Trust, (ii) any Disputed Claims resolved by the Liquidating Trustee, (iii) all known material non-Cash assets of the

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of each Debtor’s federal tax identification number, are: Health Diagnostic Laboratory, Inc. (0119), Central Medical Laboratory, LLC (2728), and Integrated Health Leaders, LLC (2434).

² Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

Debtors remaining to be disposed of, and (iv) the status of all Litigation Claims; and (b) provide to the Liquidating Trust Oversight Committee a report setting forth (i) an itemization of all expenses the Liquidating Trustee anticipates will become due and payable within the subsequent quarter, and (ii) the Liquidating Trustee's forecast of cash receipts and expenses for the subsequent quarter

2. The Effective Date is May 12, 2016.

3. The first reporting period is May 13, 2016 thru June 30, 2016 (the "**Reporting Period**").

RECEIPT AND DISPOSITION OF PROPERTY OF THE ESTATE

4. No distributions have occurred during the Reporting Period.

5. During the Reporting Period, the Liquidating Trustee was paid \$15,000.00 on June 24, 2016.

6. During the Reporting Period, professionals, employees, and consultants of the Liquidating Trust were paid \$1,963,945. Please see the table below for the list of recipients, dates, and amounts paid.

PROFESSIONALS/ EMPLOYEES/CONSULTANTS	DATE PAID	AMOUNT PAID
ADP, Inc.	5/20/16	\$20
ADP, Inc.	5/23/16	\$236
ADP, Inc.	6/2/16	\$40
ADP, Inc.	6/3/16	\$7
ADP, Inc.	6/24/16	\$20
Alvarez & Marsal Healthcare Industry Group	6/13/16	\$174,796
Alvarez & Marsal Healthcare Industry Group	6/22/16	\$86,380
Alvarez & Marsal Healthcare Industry Group	6/24/16	\$76,533 ³
American Legal Claim Services, LLC	5/26/16	\$4,394
American Legal Claim Services, LLC	6/13/16	\$7,112
Cooley LLP	6/13/16	\$253,465
Cooley LLP	6/24/16	\$492,616
Hirschler Fleischer	5/26/16	\$19,397
Hirschler Fleischer	6/24/16	\$7,542
Hirschler Fleischer	6/29/16	\$8,529
Hunton & Williams LLP	5/26/16	\$289,231
Hunton & Williams LLP	6/13/16	\$50,251
Hunton & Williams LLP	6/29/16	\$37,350
Keiter	5/26/16	\$61,902
Keiter	6/29/16	\$60,946
MK Financial, LLC	6/24/16	\$4,740

³ This value reflects the \$15,000 paid to the Liquidating Trustee on June 24, 2016.

PROFESSIONALS/ EMPLOYEES/CONSULTANTS	DATE PAID	AMOUNT PAID
New Dawn Advisors	5/26/16	\$10,335
New Dawn Advisors	6/29/16	\$9,540
Protiviti Inc.	6/2/16	\$81,288
Protiviti Inc.	6/24/16	\$75,619
RCM Billing and Consulting	6/2/16	\$1,619
RCM Billing and Consulting	6/22/16	\$2,963
RCM Billing and Consulting	6/24/16	\$9,403
Ropes & Gray LLP	6/22/16	\$10,887
Ropes & Gray LLP	6/22/16	\$9,510
Seacoast Laboratory Data Systems Inc.	5/16/16	\$13,875
Seacoast Laboratory Data Systems Inc.	6/2/16	\$13,125
Wolcott Rivers Gates	6/2/16	\$7,433
Wolcott Rivers Gates	6/24/16	\$77,381
Wolcott Rivers Gates	6/29/16	\$5,460
TOTAL PAYMENTS		\$1,963,945

7. For a summary of disbursements and cash flow during the Reporting Period, please see the status below.

DESCRIPTION	AMOUNT (Dollars in Thousands)
Receipts	\$1,310
Disbursements	\$2,015
Net Cash Flow Before Distributions	(\$705)
Distributions	\$0
Net Cash Flow	(\$705)
Starting Book Cash	\$12,439
Ending Book Cash Flow	\$11,733

DISPUTED CLAIMS RESOLVED

Aetna Inc. v. Health Diagnostic Laboratory, Inc., BlueWave Healthcare Consultants, Inc., Floyd Calhoun Dent, III, Robert Bradford Johnson, and Latonya Mallory

8. On April 10, 2015, Aetna Inc. filed a Complaint, as subsequently amended on August 31, 2016, against HDL, BlueWave Healthcare Consultants, Inc., Floyd Calhoun Dent, III, Robert Bradford Johnson, and Latonya Mallory alleging fraudulent tortious interference with business and contractual relations, civil conspiracy and unjust enrichment.

9. On May 3, 2016, the Court entered the *Order Approving Settlement Agreement Between the Official Committee of Unsecured Creditors and Aetna Inc.* [Docket No. 1071].

10. On May 17, 2016, the appeal period concluded for the Order approving the Settlement Agreement.

Cigna Health and Life Insurance Company and Connecticut General Life Insurance Company v. Health Diagnostic Laboratory, Inc.

11. On October 15, 2014, Cigna Health and Life Insurance Company and Connecticut General Life Insurance Company filed a complaint, as subsequently amended on January 16, 2015, thereby commencing Civil Action No. 3:14-cv-01519-SRU in the United States District Court for the District of Connecticut alleging fraudulent and tortious conduct against HDL.

12. On June 29, 2016, the Court entered the *Order Approving Settlement Agreement Between HDL Liquidating Trust, Cigna Health and Life Insurance Company and Connecticut General Life Insurance Company* [Docket No. 1263].

13. On July 13, 2016, the appeal period concluded for the Order approving the Settlement Agreement.

**ALL KNOWN MATERIAL NON-CASH ASSETS OF THE DEBTORS
REMAINING TO BE DISPOSED OF**

14. The non-cash assets remaining to be disposed of include the accounts receivable, deposits, and an investment in a joint venture. Please see below.

NON-CASH ASSETS	VALUE
	(Dollars in Thousands)
Accounts Receivables (Net)	\$4,113
Deposits	\$828
Investments in JV (HDLP)	\$13,089
Total	\$18,030

STATUS OF ALL LITIGATION CLAIMS

15. As of the close of the Reporting Period, there have been eight separate suits filed either by or against HDL:

CASE INFORMATION	COURT	STATUS
<i>Aetna Inc. v. Health Diagnostic Laboratory, Inc., BlueWave Healthcare Consultants, Inc., Floyd Calhoun Dent, III, Robert Bradford Johnson, and Latonya Mallory</i>	U.S. Bankruptcy Court Eastern District of Virginia Case No. 15-32919-KRH	Settled
<i>Cigna Health and Life Insurance Company and Connecticut General Life Insurance Company v. Health Diagnostic Laboratory, Inc.</i>	U.S. District Court District of Connecticut Case No. 3:14-cv-01519-VAB	Settled
<i>Health Diagnostic Laboratory, Inc. v. True Health Diagnostics, LLC; Jeffrey P. "Boomer" Cornwell</i>	U.S. Bankruptcy Court Eastern District of Virginia Case No. 16-03011-KRH	Ongoing
<i>G. Russell Warnick v. Health Diagnostic Laboratory, Inc.; Integrated Health Leaders, LLC; True Health Diagnostics, LLC</i>	U.S. Bankruptcy Court Eastern District of Virginia Case No. 16-03014-KRH	Ongoing
<i>Boston Heart Diagnostics Corporation v. Health Diagnostic Laboratory, Inc.</i>	U.S. District Court For the District of Massachusetts Case No. 1:13-cv-13111-IT	Action Stayed
<i>Health Diagnostic Laboratory, Inc. v. Boston Heart Diagnostics Corporation</i>	U.S. District Court For the Eastern District of Virginia Case No. 3:14-cv-00796-HEH	Action Stayed
<i>BlueWave Healthcare Consultants, Inc. v. Health Diagnostic Laboratory, Inc.</i>	U.S. District Court For the Northern District of Alabama Case No. 5:15-cv-00884-MHH	Action Stayed
<i>Paul Spicer v. Health Diagnostic Laboratory, Inc.</i>	Richmond City Circuit Court, Virginia Case No. CL15001907-00	Action Stayed

16. The current status of claims are provided below:

CLAIM CLASS	TOTAL CLAIMS FILED / SCHEDULED ⁴ (Dollars in Thousands)	LESS: RESOLVED (Dollars in Thousands)	TOTAL CURRENT CLAIMS (Dollars in Thousands)
503(b)9	\$1,651	\$0	\$1,651
Administrative	\$1,205,570	\$0	\$1,205,570
Priority	\$867	(\$43)	\$824
Secured	\$126,518	(\$14,679)	\$111,839
General Unsecured	\$1,829,590	(\$192,934)	\$1,636,656
Total	\$3,164,196	(\$207,656)	\$2,956,540

⁴ Total Claims Filed / Scheduled counts each claim one time. If a scheduled claim matches a proof of claim, then only the proof of claim is counted. If a claim was scheduled as contingent / unliquidated / disputed, and no proof of claim was filed, the scheduled claim has been removed as inactive. If a scheduled claim is not disputed, and no proof of claim was filed, the scheduled claim is counted in the Total Claims Filed / Scheduled amount.

CONCLUSION

WHEREFORE, the Liquidating Trustee respectfully provides the Court with the *Liquidating Trustee's Quarterly Report for period ending June 30, 2016*.

Dated: July 29, 2016

/s/ Cullen D. Speckhart

Cullen D. Speckhart (VSB No. 79096)

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Respectfully submitted,

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